- FIGURE

1L

COMBINE DATABASE "4" AND DATABASE "5" INTO NEW DATABASE NAMED: "INDEX" - FIGURE 1G CREATE CONSTANT "NUMBER"; "NUMBER"= "USER \_ FIGURE DEFINED" TOTAL NUMBER OF OPEN END MUTUAL FUNDS 1H TO BE INCLUDED WITHIN THE DATABASE "INDEX" CREATE CONSTANT NAMED"CALCULATION" WHERE "CALCULATION" = "USER DEFINED" CHOICE OF <EQUALLY PRICE WEIGHTED>, <CAPITALIZATION WEIGHTED>, <GEOMETRICALLY WEIGHTED>, OR <CUSTOM WEIGHTED> - FIGURE 11 CREATE FORMULA: "OPTIMAL RISK/RETURN (T)" WHERE "OPTIMAL RISK/RETURN (T)" = "TOTAL RISK/RETURN(T)"-"TOTAL RISK/RETURN (T-1)" - FIGURE IF "TOTAL RISK/RETURN(T)" < "TOTAL 1.J RISK/RETURN T-1" THEN REPEAT UNTIL "TOTAL RISK/RETURN" YIELDS A GROUP OF FUNDS WHERE NUMBER = "NUMBER"AND NO OTHER COMBINATION OF FUNDS YIELDS A LOWER RISK/RETURN RATIO OVER TIME (T) AND NAME "FINAL INDEX" CREATE FORMULA "TOTAL RISK/RETURN" WHERE - FIGURE "TOTAL RISK RETURN" = SUM (TOTAL RISK FOR ıĸ ALL FUNDS IN INDEX/TOTAL RETURN FOR ALL FUNDS IN INDEX) " FOR TIME PERIOD (T)

PRINT OUT A CHART OF "FINAL INDEX" FOR

TIME (T). RETURN TO FIGURE 1A TO REPEAT

## FIGURE 1

## SCHEMATIC FLOWCHART OF: OPEN END MUTUAL FUND INDEX COMPUTER PROGRAM

- FIGURE GENERAL DATA PROCESSING COMPUTER SYSTEM: MEMORY STORAGE CONTAINS MASTER DATABASE OF OPEN END MUTUAL FUND STATISTICS 1A PREFERRED SPECIFICATION OF COMPUTER: CDROM DRIVE, MONITOR HARD DRIVE CONTAINING 420 MEGABYTES 8 MEGABYTES RAM, 486 CPU ELIMINATE THOSE FUNDS IN MASTER DATABASE WHERE **FIGURE** FUNDS ARE MARKED "NOT AVAILABLE FOR PURCHASE". 1B PUT REMAINING FUNDS IN NEW DATABASE: "DATABASE #1" ELIMINATE ALL FUNDS IN DATABASE #1 WHERE ASSET SIZE IS NOT EQUAL TO "USER DEFINED" STORING REMAINING FUNDS IN NEW - FIGURE DATABASE: "DATABASE #2" 1C SEARCH DATABASE "DATABASE #2" FOR THOSE - FIGURE FUNDS WHERE CATEGORY OF INVESTMENT STYLE 1D ="USER DEFINED" AND PLACE IN NEW DATABASE: "DATABASE #3" FIGURE 1F FIGURE 1F SEARCH DATABASE#3 AND SELECT SEARCH DATABASE #3; SELECT THOSE FUNDS WHERE RISK OVER TIME FUNDS WHERE RETURN OVER TIME (T) > (T) < AVERAGE OF ALL FUNDS IN AVERAGE OF ALL FUNDS IN DATABASE #3 WHERE TIME (T) = "USER DEFINED" AND DATABASE#3 WHERE TIME(T) ="USER DEFINED" AND RISK = STORE IN NEW DATABASE NAMED: "USER DEFINED". STORE SELECTED "DATABASE #4" FUNDS IN NEW DATABASE NAMED: DATABASE #5

